USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: September 3, 2014
GAIN Report Number:

Uruguay

Livestock and Products Annual

2014

Approved By:
Caleb O'Kray

Prepared By:
Ken Joseph

Report Highlights:
Uruguayan beef production for 2015 is forecast up at 620,000 tons carcass weight equivalent, as a result of a larger slaughter. As domestic consumption is projected to remain flat, practically all additional beef produced will be exported. Beef exports in 2015 are forecast at 435,000 tons, the second highest on record. China, the Russian Federation, the United States and the EU are expected to continue to be the main markets.

Commodities:

Meat, Beef and Veal

Production:

Uruguayan beef production for 2015 is projected to increase to 620,000 tons carcass weight equivalent (cwe), the second highest on record. Two abundant calf crops in a row and an expected large one this spring almost guarantee a recovery in slaughter levels for the next 3-4 years. Slaughter during 2011-13 was smaller than normal, affected by the severe drought of 2009/10. The expected larger slaughter will positively impact beef production. Moreover, current weak cattle prices have affected returns of cow calf operations which in turn, are expected to send to the market a somewhat larger number of cows over the next several months.

Uruguay´s cattle extraction rate (slaughter over stock) has improved slightly in the past several years, but at 19-20 percent it still remains low compared to most other productive countries. Experts recognize that the country needs to be more productive on each hectare devoted to cattle, especially with crops and forestry taking over more land. The average weaning ratio ranges between 64-68 percent. The good calf crops of 2012-14 were primarily a result of very good weather and pasture conditions. Although there are very efficient breeders, Uruguay needs to improve reproductive and nutritional management if it wants to increase production significantly. Some advisors recommend the combination of natural pastures with the use of grain (most likely sorghum) during winter. With this system cattle are continuously growing and the period of production shortens significantly. However, adopting this kind of system in an extensive way will take time.

Some specialists recognize the improvement in Uruguay´s cattle/beef chain in the past several years but mention a few points which would need to be addressed in order to make the business more profitable and encourage additional investment: improve FOB prices by reaching higher-priced niche markets (a vast majority of Uruguay`s beef is exported for industry use), the signing of free trade agreements to access markets with no or minimal import tariffs, allow a greater number of cattle to be exported, and reduce production costs in dollar terms.

The cattle herd peaked in 2014 (the highest since 2006) but it is likely to drop in 2015 due to a lower number of cows in production, a somewhat smaller calf crop, a growing export of cattle and a higher slaughter. A projected ending stock of 11.8 million head is more in line with the country´s average over the past eight years. The Uruguayan cattle herd is shifting from a strong retention to a moderate liquidation which is expected to augment in 2015 and 2016.

In the last part of 2013 fed cattle prices came down from a high level because meat packers slowed down cattle demand. This has pushed back all cattle prices and cow calf operations, being the first link in the chain, are the most affected. Feeder cattle prices went from US$2.60 per live kilo to US$2.00-2.20 per live kilo. At these prices, plus the lower price received for fed cows, put cow calf operations almost break even, quite different from the past several years in which they enjoyed good returns. Although fed cattle prices came down as well, producers who finish cattle are in a better position and have better returns as they generally purchase feeder cattle which are now less expensive and enjoy cheaper feed costs.

The local feedlot sector is expected to expand somewhat in 2015 as feeder cattle prices are forecast to remain low as well as the cost of feed. Exports to the EU under the 481 quota of hormone-free beef from young animals with the last 100 kilos fed with grain are expected to remain strong. Uruguay currently supplies approximately 20 percent of this quota. Close to 90 percent of the local feedlot production is cattle for the 481 quota. About half is produced by meat packers which manage 4-5 feedlots and the other half by producers. Contacts estimate that roughly six percent of the total slaughter is directed to this special quota which Uruguay exported some 10,000 tons (cwe) in the 2013/14 period. It is mainly fulfilled with beef from steers confined at 300-350 kilos live which gain an additional 100 kilos before slaughter. Uruguay's feedlot sector is underutilized as its production capacity is approximately 750,000 head year around. Currently 90 percent of the production is steers and 10 percent heifers.

Exports of cattle in 2014 and 2015 are forecast to rise as there are speculations that the government, in order to support somewhat the price of calves will allow a larger volume of exports.

Meat packers paid high prices for cattle in 2011-12 and the first part of 2013 which resulted in negative returns. After the drop in cattle prices in the last part of 2013, meat plants have recovered profitability and are in a better economic situation. There are 36 plants which add a slaughter capacity of 3.0-3.5 million head per year. There are three Brazilian companies which in total manage 7 plants and account for about 40 percent of the country's cattle slaughter. Meat packers have lately slowed down investment.
In 2013 the Government implemented a plan for land use. Farmers planting more than 100 hectares have to present a crop plan defining soil use and conservation. Most producers began the first year sowing soybeans. So far there were very few new pastures planted. The impact of the plan will be seen in 2-3 years' time.

Uruguay continues to put a lot of focus on cattle and beef traceability as the government and industry believe it gives them a significant advantage and differential from most competitors, especially in a world market which permanently demands higher food safety controls and sustainable livestock production. All cattle are traced with an electronic tag and most meat packing houses can trace groups of animals and are moving to individual tracing.

Uruguay has a very good sanitary status recognized by the World Organization for Animal Health (OIE) as being free of Foot and Mouth Disease (FMD) with vaccination and of negligible risk for BSE (mad cow disease). This allows the country to have approximately 120 markets open for export (Japan still remains as the exception). The good sanitary status and the marketing efforts to position Uruguay's beef as a natural product is key to the sector as roughly 65-70 percent of the total beef is exported. Beef exports are also essential to the country's economy as they are the number one export product accounting for approximately 20 percent of total export revenues.

Consumption:

Domestic consumption for 2015 is forecast at 186,000 tons (cwe). Despite expected larger beef supplies, most contacts in the industry project beef consumption to remain flat in 2014 and 2015. The local economy has been growing over the past 10 years and the GDP for 2014 is projected to expand 2-3 percent. Uruguayans have good purchasing power but meat distributors indicate that nowadays they are feeling that demand is starting to weaken somewhat.

Alternative meats continue to compete strongly as prices are less expensive than beef. However, Uruguayans are very fond of beef. The government encourages the consumption of all meats, but promotes the consumption of rabbit, poultry and pork. In 2013, the per capita consumption of meats in Uruguay was: beef 59 kg, poultry 21 kg, pork 17 kg and sheep meat 4 kg.

Pork consumption has increased rapidly in the past 4-5 years. Ten years ago it was hardly seen in the market, but nowadays, it is everywhere. In 2013, Uruguay produced 16,000 tons of pork and imported 26,000 tons of frozen cuts (mainly round cuts) primarily from Brazil. Imports of pork from the United States are increasing, while in 2013 they totaled 1,180 tons valued at US$2.7 million.

Weekend barbecues are very common in Uruguay, with cuts such as short ribs and point of rump being the most popular cuts. Round cuts for breaded beef and ground beef are also widely consumed.
Steers for the local market typically weigh about 420 kilos (live weight) and heifers 380 kilos. Most beef is marketed through butcheries either independent or in supermarkets. Meat distributors usually sell half carcasses plus some additional cuts which are the most demanded. Vacuum packed cuts are also sold, but at a lesser extent.

Trade:

Uruguayan beef exports for 2015 are forecast to continue to grow at 435,000 tons (cwe), the highest since 2006 and the second highest on record. This is a result of a recovery in beef production and an expected flat domestic consumption. Practically all the additional beef projected to be produced will be channeled to export.

In 2013, Uruguay exported 240,150 tons of beef (product weight) for US$1.33 billion. Roughly 81 percent was frozen beef, 17 percent chilled beef and 2 percent thermo-processed beef. Five years back exports of frozen beef accounted for 86 percent and chilled beef for 12 percent. Every year chilled beef exports increase vis-à-vis frozen product. Most contacts would like this trend to change at a faster pace as the differential in price is significant. Local exporters continue to export cuts to the respective markets offering the highest premiums.

Uruguay enjoys broad market access internationally. It markets its beef as being natural, raised on pastures, under blue skies, with no use of antibiotics, and hormone-free. It also provides a strict traceability program.

China has become the country's number one beef market, with almost 28 percent of total exports in 2013. The Russian Federation, the number one market in 2009-12, has dropped from an average 30 percent to 13 percent.

Uruguay supplies China directly through its ports; shipments in 2014 and 2015 are projected to grow further as a reflection of Uruguay's expected larger beef exports. This market buys most cuts except rump and loin which Uruguay exports primarily to the EU. It buys frozen bone-in and boneless beef and few half carcasses marginally. Exports of shin shank are significant.

Despite smaller exports in 2013, the Russian Federation is expected to continue to be one of the leading markets. Moreover, the recent ban imposed by the Russian government on beef imports from the United States, the E.U. and several other suppliers is expected to expand somewhat the shipments in 2014 and 2015. Most traders believe that this additional demand will have to be accompanied by higher prices if they want to increase imports from Uruguay. Russia recently authorized approximately 50 additional Brazilian plants to export beef and this could cause strong competition, affecting prices. The Russian Federation typically buys from Uruguay frozen boneless forequarter cuts. Uruguay is eligible to export chilled beef to this market, but volumes so far are very small.

Beef shipments to the U.S. market are currently very strong. Local traders expect exports to grow significantly over the next two years as prices have increased significantly. In 2014 Uruguay most likely will fulfill the 20,000 ton beef quota and is expected to ship a similar volume outside the quota paying 26.4 percent import duty. Most exports are frozen beef in blocks, 90 percent chemical lean.
Exports to Canada are also expected to grow marginally in 2014 and 2015. Uruguay exports go under the beef TRQ. Products shipped are similar to those exported to the United States.

The EU grants Uruguay a 6,300 ton Hilton Quota for high quality, boneless, chilled beef cuts. This quota, which has an in-quota tariff of 20 percent, is normally fulfilled with rump and loin cuts which have high prices. Uruguay also exports beef under the 481 quota. During the 2013/14 period, Uruguay exported approximately 10,000 tons (cwe) under this duty-free quota. Exports consisted of 18-20 chilled, boneless beef cuts at very good prices. In total, the EU buys approximately 20,000 tons (product weight) of chilled beef cuts and 10,000 tons of frozen boneless beef. The main buyers are Germany, Italy, Spain and the UK.

Israel is a very stable market which normally buys 20-22,000 tons (product weight) of Kosher, frozen, boneless, forequarter cuts. There is great competition in the region to supply this market.

Chile is a market which normally imports 10-15,000 tons (product weight) of beef from Uruguay. Most beef is chilled. In 2012 exports increased as a result of Paraguay being out of that market due to an FMD outbreak. In mid-2013 Paraguayan beef exports resumed, competing strongly to recover its market share. Exports to Chile are not expected to grow in the short term.

Brazil is also a market which is not forecast to increase significantly in the near future. Uruguay exports frozen, chilled, bone-in and boneless beef. Most exports are top sirloin cap and point of rump, two very popular cuts there.

Cattle exports in 2015 are forecast to increase significantly to 180,000 head. Some contacts forecast weak prices for calves so the government could eventually allow a greater number of cattle to be exported to help support the price. Exports in 2014 are also estimated to increase to 120,000 head (70,000 through July). Tunis, Jordan, Egypt, Turkey, China and Brazil are the typical markets which cattle are exported. The vast majority is 200 kilo (live weight) male calves, but China takes some 30,000 Holstein dairy heifers and Brazil buys several thousand fed cows for slaughter.

Stocks:

The ending stock in 2015 is projected to fall marginally to 11.8 million head due to expected weaker returns, a larger slaughter and a somewhat smaller calf crop.

Policy:

Contacts indicate that the sector operates in a free environment. The government works on opening new markets and supports some promotional activities to position Uruguay’s beef as one of the most natural, nutritious, and healthy products.

Production, Supply and Demand Data Statistics:

Animal Numbers, Cattle Uruguay	2013		2014		2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	11,384	11,384	11,793	11,903		12,043
Dairy Cows Beg. Stocks	370	370	380	380		380
Beef Cows Beg. Stocks	4,100	4,200	4,070	4,300		4,200
Production (Calf Crop)	2,800	2,900	3,000	2,800		2,700
Total Imports	0	0	0	0		0
Total Supply	14,184	14,284	14,793	14,703		14,743
Total Exports	41	41	40	120		180
Cow Slaughter	975	910	1,100	1,050		1,200
Calf Slaughter	11	13	15	15		15
Other Slaughter	1,064	1,137	1,185	1,175		1,235
Total Slaughter	2,050	2,060	2,300	2,240		2,450
Loss	300	280	300	300		300
Ending Inventories	11,793	11,903	12,153	12,043		11,813
Total Distribution	14,184	14,284	14,793	14,703		14,743
1000 HEAD, PERCENT						

Meat, Beef and Veal Uruguay	2013		2014		2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	2,050	2,060	2,300	2,240		2,450
Beginning Stocks	0	0	0	0		0
Production	505	525	560	570		620
Total Imports	0	1	0	1		1
Total Supply	505	526	560	571		621
Total Exports	338	338	385	385		435
Human Dom. Consumption	167	188	175	186		186
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	167	188	175	186		186
Ending Stocks	0	0	0	0		0
Total Distribution	505	526	560	571		621
1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG						